

POSTSECONDARY EDUCATION TRUST FUNDS INVESTMENT INCOME

**Agenda Item E-4
July 17, 2000**

Information:

Council members have recently inquired about the possibility of developing a strategy for spending investment income earned on the Research Challenge, Research Endowment, Regional University Excellence, Regional University Endowment, and Postsecondary Workforce Development Trust Funds. Appropriations to these trust funds were made under House Bill 4 from the 1997 special session and House Bill 321 from the 1998 regular session. To date, interest income of approximately \$5.5 million has been earned on these trust funds.

House Bill 1, *The Postsecondary Education Improvement Act of 1997*, states that income earned from the trust funds shall be credited to the appropriate trust fund accounts. House Bill 502 from the 2000 regular session, the 2000-02 Executive Branch Appropriations Act, provides that unbudgeted funds shall become available for expenditure “with the authorization of the State Budget Director of the Office of State Budget Director and approval of the Secretary of Finance and Administration Cabinet.” If such authority were to be sought by the Council and granted by the Executive Branch, any authorized appropriation increase would be reported to the Interim Joint Committee on Appropriations and Revenue.

Although it is not known at this time if the trust fund earnings will be available to the system, the Council staff thinks that the chances of securing these funds are greater if all postsecondary education institutions and the Council endorse a unified expenditure plan before seeking the authority necessary to spend this money.

If the Council endorses this approach, the staff and the institutions could develop a plan to spend the earnings. One possibility is simply to distribute the earnings to the institutions. Another is to use it all for statewide initiatives. A third, and preferable plan, is to distribute the bulk of the earnings to the institutions for uses consistent with the trust fund guidelines, and to use some of the earnings to address important statewide postsecondary education issues such as developing a web-based mathematics test to determine college readiness, advancing the statewide engineering strategy, and promoting equal educational opportunity. A distribution of interest income earned on these trust funds could be made based on the amounts earned by each institution under each trust fund.

This approach, if endorsed as a plan for spending investment income on these trust funds, could be presented to the Council for consideration as early as the September 18, 2000, meeting.